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**FISCAL IMPACT STATEMENT**

**LS 6789**

**BILL NUMBER:** HB 1360

**NOTE PREPARED:** Jan 2, 2011

**BILL AMENDED:**

**SUBJECT:** School Corporation Health Coverage.

**FIRST AUTHOR:** Rep. Turner

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
X FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill requires that health insurance coverage provided by a school corporation to active and retired certificated employees of the school corporation must be provided through participation in a state employee health plan.

The bill prohibits the state from paying any part of the cost of the school corporation employee coverage. It also makes conforming amendments.

**Effective Date:** July 1, 2011.

**Explanation of State Expenditures:** The impact on the state health insurance plan would depend on the health experience of the school employees added to the plan relative to the experience of state employees. If school employees had a greater incidence of health claims than state employees, the state cost of the state employee health plan could increase, and if school employees had a lower incidence, then the state cost could decrease.

The addition of public schools would increase the size of the state insurance plan, including employer and employee payments, from about \$497 M to \$1.92 B. There could also be some savings if the state could negotiate better administrative and provider rates since the plan would be about four times larger.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** The bill could reduce local school expenditures for health insurance by about \$279 M statewide. Total insurance cost of schools and school employees is about \$1.4 B annually.

The following is a summary of potential savings based on a study conducted by Mercer Health & Benefits LLC in the spring of 2010.

<b>Annual Saving</b>	<b>Millions</b>
Medical Claims (Provider Networks)	\$55
Prescription Drug Claims (Pbms)	\$13
Administrative/overhead Fees	\$29
Stop Loss Premium	\$12
Producer Compensation	\$8
Dental and Vision	\$2
Employer Efficiency Savings	\$119
Plan Design and Contribution Savings	\$160
<b>Total Employer Savings</b>	<b>\$279</b>
<b>Employee Efficiency Savings</b>	<b>\$25</b>

Most schools would have a reduction in expense. However, some schools may currently be paying less in premiums than the state rate, and these schools could experience an increase in their costs, but could have greater long-term stability in premiums due to the large size of the insurance pool.

**Explanation of Local Revenues:**

**State Agencies Affected:** All.

**Local Agencies Affected:** Local schools.

**Information Sources:** *Analysis of Health Insurance Benefits for Public Employees*, Mercer Health & Benefits LLC, 312-912-9900.

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